

## Message Text

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APPROVED BY EUR/RPE:A AL BRECHT  
EA/AND: T WAJDA  
EB/OMA: J WINDER  
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TREASURY: R HARLOW (TELEPHONE)  
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O P 012333Z MAR 78  
FM SECSTATE WASHDC  
TO AMEMBASSY PARIS IMMEDIATE  
INFO AMEMBASSY CANBERRA PRIORITY

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USOECD

E.O. 11652: N/A

TAGS: ECON, OECD, AS

SUBJECT:MARCH 2 ECONOMIC AND DEVELOPMENT REVIEW COMMITTEE  
(EDRC) REVIEW OF AUSTRALIA

REF: (A) PARIS 7018; (B) CANBERRA 1526; (C) EDR(78)4  
AND ADDENDUM

1. REGRET THAT LIMITED LEAD TIME PRECLUDES COMPREHENSIVE  
REVIEW BY INTERESTED WASHINGTON AGENCIES. WE HAVE FOLLOWING  
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COMMENTS FOR MISSION'S USE AT MARCH 2 EDRC REVIEW OF  
AUSTRALIA.

2. WE AGREE THAT APPROPRIATENESS OF GOA'S RESTRICTIVE  
MONETARY AND FISCAL POLICY IN CURRENT ECONOMIC SITUATION  
IS A CRUCIAL ISSUE FOR THIS REVIEW.ESPECIALLY IN LIGHT OF  
"CONCERTED ACTION" APPROACH DISCUSSED AT FEBRUARY 27-28

EPC MEETING. WE WOULD LIKE TO SEE FULL DISCUSSION OF THIS ISSUE, BUT PREFER THAT US REP TAKE AGNOSTIC VIEW AND NEITHER SUPPORT NOR CRITICIZE CURRENT GOA POLICIES. FYI. THERE ARE DIVERGENT VIEWS AMONG WASHINGTON AGENCIES AS TO WHETHER GOA SHOULD ADOPT SOMEWHAT MORE STIMULATORY POLICIES THAN IT AND SECRETARIAT SUPPORT. END FYI.

3. ANOTHER KEY ISSUE WHICH DESERVES THOROUGH ATTENTION IS LONG-RUN EFFECT OF TRADE RESTRICTIVE MEASURES, ADOPTED FOR SHORT-TERM EMPLOYMENT OBJECTIVES, ON LONG-TERM COMPETITIVENESS AND OVERALL (ESPECIALLY EXPORT SECTOR) EMPLOYMENT LEVELS.

4. WE WOULD LIKE TO HAVE GOA VIEWS AS TO DESIRABLE LONGER-TERM SECTORAL COMPOSITION OF OUTPUT. EXCHANGE RATE IMPLICATIONS OF SECTORAL COMPOSITION OF OUTPUT SHOULD BE EXAMINED, KEEPING IN MIND THE "GREGORY THESIS", I.E., A MINERALS INDUCED APPRECIATION OF THE AUSTRALIAN DOLLAR HAS AN ADVERSE IMPACT ON THE COMPETITIVENESS OF OTHER SECTORS OF THE AUSTRALIAN ECONOMY.

5. WE WOULD LIKE TO SEE THOROUGH DISCUSSION OF RELATIONSHIPS BETWEEN UNEMPLOYMENT AND GROWTH RATES, ESPECIALLY IN LIGHT OF SECRETARIAT'S CONCLUSION (PARA 5 REF A) RE ROLE OF NON-CYCLICAL FACTORS. IT WOULD BE INTERESTING TO HEAR SECRETARIAT AND GOA VIEWS ON WHETHER AND TO WHAT LIMITED OFFICIAL USE

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EXTENT, IN LIGHT OF THEIR PRIMARY OBJECTIVE OF RESTORING FACTOR SHARES BALANCE, MEASURES TO REDUCE UNEMPLOYMENT WOULD BE APPROPRIATE. IN CONSIDERING FACTOR SHARES DISTRIBUTION, ARE THERE STRUCTURAL AND/OR POLITICAL FACTORS WHICH WOULD COMPLICATE RESTORATION OF "TRADITIONAL" PATTERN?

6. WE WOULD APPRECIATE DISCUSSION OF COMMONWEALTH ARBITRATION COMMISSION (CAC) AND GOA POLICIES ON WAGE INDEXATION, I.E., TOTAL, PARTIAL OR NO INDEXATION? IMPLICATIONS OF CAC POLICY OF HIGHER INCREASES FOR LOWER PAID WORKERS FOR YOUTH AND FEMALE EMPLOYMENT SHOULD ALSO BE EXPLORED.

7. SECRETARIAT ANALYSIS PARA 10 (B) REF (A) WARRANTS DISCUSSION OF WHETHER GOA OBJECTIVES RE GROWTH OF MONETARY AGGREGATES, INTEREST RATES AND EXCHANGE RATE ARE COMPATIBLE IN LIGHT OF 1978 FORECAST AND CONTEMPLATED GOA ECONOMIC POLICIES. RELATED QUESTION IS WHETHER THESE OBJECTIVES CAN BE ATTAINED WITH EXISTING POLICY INSTRUMENTS. VANCE

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## Message Attributes

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